

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

CITY OF ST. CLAIR

St. Clair County, Michigan

FINANCIAL STATEMENTS

September 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the City of St. Clair as of September 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007 on our consideration of the City of St. Clair's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of pension plan funding progress and budgetary comparison schedule are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

Saginaw, Michigan

November 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Clair (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$27,746,581 (net assets). Of this amount, \$5,161,737 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets increased by \$3,496,260. Governmental activities accounted for \$961,410 of this increase, while business-type activities accounted for \$2,534,850.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,749,711, an increase of \$98,321 in comparison with prior year. Approximately 28 percent of this total or \$1,047,438 is reserved for various purposes. The remaining fund balance is unreserved.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,675,952, or approximately 56 percent of the General Fund's annual expenditures (excluding transfers).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 13 through 14 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Street Fund, which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund and the Major Street Fund, the City's only major funds, to demonstrate compliance with that budget.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection, water distribution, harbor operations, golf course operations, and rubbish and garbage collection. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for equipment and fleet operations and special assessment funding.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Harbor Funds, which are considered to be major funds of the City. The remaining Enterprise Funds and the Internal Service Funds are each combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the remaining Enterprise Funds and the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 19 through 24 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplemental information.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$27,746,581 at the close of the most recent fiscal year. Most of this amount (75.2 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6.2 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (18.6 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ST. CLAIR

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

City of St. Clair's Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Other assets	\$ 8,849,361	\$ 8,699,607	\$ 3,445,803	\$ 3,377,987	\$12,295,164	\$12,077,594
Capital assets	<u>11,494,921</u>	<u>10,869,110</u>	<u>20,344,922</u>	<u>17,460,175</u>	<u>31,839,843</u>	<u>28,329,285</u>
Total assets	<u>20,344,282</u>	<u>19,568,717</u>	<u>23,790,725</u>	<u>20,838,162</u>	<u>44,135,007</u>	<u>40,406,879</u>
Liabilities:						
Other liabilities	4,063,925	4,090,017	621,729	311,538	4,685,654	4,401,555
Long-term liabilities	<u>4,739,961</u>	<u>4,899,714</u>	<u>6,962,811</u>	<u>6,855,289</u>	<u>11,702,772</u>	<u>11,755,003</u>
Total liabilities	<u>8,803,886</u>	<u>8,989,731</u>	<u>7,584,540</u>	<u>7,166,827</u>	<u>16,388,426</u>	<u>16,156,558</u>
Net assets:						
Invested in capital assets, net of related debt	7,167,720	6,363,241	13,678,434	10,898,437	20,846,154	17,261,678
Restricted	1,526,513	2,151,772	212,177	202,649	1,738,690	2,354,421
Unrestricted	<u>2,846,163</u>	<u>2,063,973</u>	<u>2,315,574</u>	<u>2,570,249</u>	<u>5,161,737</u>	<u>4,634,222</u>
Total net assets	<u>\$11,540,396</u>	<u>\$10,578,986</u>	<u>\$16,206,185</u>	<u>\$13,671,335</u>	<u>\$27,746,581</u>	<u>\$24,250,321</u>

Statement of Activities

During the current fiscal year, the government's total net assets increased by \$3,496,260. Governmental activities accounted for \$961,410 of this increase, while business-type activities accounted for \$2,534,850.

Governmental Activities

The City's governmental activities revenue was \$5.8 million for the fiscal year ended September 30, 2007, an increase of \$321,510 or 5.8 percent. Most of the increase (\$289,522) is attributable to the tax levy associated with debt on the new road construction.

State-shared revenues were 8.5 percent of total revenues or \$497,979. This is a decline of 4.4% from the previous year's revenues of \$520,592. These revenues continue to decline and future funding levels remain a concern. Most governmental activities are funded by service charges, property taxes, grants, State revenue sharing, and investment earnings.

Expenses for the year were \$4,908,975. This was a slight decline of \$8,515 from the previous year's expenses of \$4,917,490. Net assets at the end of the year increased \$961,410.

During the 2007 fiscal year, the City continued to meet the actuarial required contribution for the defined benefit pension system managed by MERS. At the current time, no funding is set aside to provide for retiree health care benefits; the City operates on a pay-as-you-go basis.

During the 2007 fiscal year, paving improvements included 1.02 miles of road that included 9th Street (Clinton to Vine), Orchard (6th to 9th), and Vine Street (10th to Riverside).

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Business-type Activities

The City has five business type-activities: Sewer System, Water System, Boat Harbor, Golf Course, and Rubbish/Garbage collection.

For the fiscal year ended September 30, 2007 revenues for the business-type activities were \$5.9 million. Revenues, for the year, increased \$2,685,839. However, most of the increase is attributable to the \$2,683,503 State/Federal grant provided to the Harbor for renovations. The revenue increase, without the grant, amounts to \$2,336 or less than one tenth of one percent.

Expenses for the year were \$3,429,958. This was an increase of \$152,398 from the previous year's expenses of \$3,277,560. \$151,924 of the increase was attributable to increased expenses associated with the Boat Harbor (\$151,924).

Operating profits on income, before non-operating items, for each fund was as follows:

- Sewer Fund \$133,431 or 10.3% - Operating revenues increased 18.6%. Nearly half of the increase was the result of grant reimbursements included in other revenue. The balance of the increase is the result of increased revenues on service charges. Operating expenses increased 1.2% or \$14,356.
- Water Fund (\$80,311) or (10.1%) - Operating revenues increased 4.2% as a result of increases to service charges. Operating expenses increased .6 percent.
- Harbor Fund (\$102,461) or (20.2%) – Operating revenues increased 5.3% as a result of an increase on service revenues. Operating expenses increased \$143,882 or 30.9%. The major cost drivers were as follows: Personnel/Fringe \$21,803, Supplies \$20,593, Contracted Services \$63,537, Repairs and Maintenance \$9,446, Depreciation \$28,878.
- Golf Fund (\$64,668) or (26.0%) – Operating revenues decreased by \$17,727 while operating expenses decreased by \$26,260. Personnel/Fringe benefits costs decreased by \$16,478 when compared to the previous year.
- Rubbish/Garbage \$10,321 or 4.4% - Operating revenues \$9,219 while operating expenses increased by \$14,726.

When combined, the City's business-type activities produced enough revenue to cover expenses. Further, each fund has positive net asset balances.

CITY OF ST. CLAIR

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

City of St. Clair's Changes in Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenues:						
Program revenues						
Charges for services	\$ 434,691	\$ 496,478	\$ 3,097,399	\$ 2,841,795	\$ 3,532,090	\$ 3,338,273
Operating grants	634,780	547,662	-	3,346	634,780	551,008
Capital grants	-	176,134	2,683,503	-	2,683,503	176,134
General revenues						
Property taxes	3,617,491	3,232,493	175,128	375,365	3,792,619	3,607,858
Franchise taxes	168,659	131,654	-	-	168,659	131,654
State revenue sharing	497,979	520,592	-	-	497,979	520,592
Investment earnings	463,031	322,017	38,339	88,024	501,370	410,041
Miscellaneous	15,389	83,480	-	-	15,389	83,480
Total revenues	<u>5,832,020</u>	<u>5,510,510</u>	<u>5,994,369</u>	<u>3,308,530</u>	<u>11,826,389</u>	<u>8,819,040</u>
Expenses:						
General government	1,319,809	1,397,393	-	-	1,319,809	1,397,393
Public safety	1,531,894	1,600,304	-	-	1,531,894	1,600,304
Public works	1,063,823	975,783	-	-	1,063,823	975,783
Health and welfare	38,290	31,377	-	-	38,290	31,377
Community and economic development	48,036	33,049	-	-	48,036	33,049
Recreation and culture	721,073	743,195	-	-	721,073	743,195
Interest on long-term debt	186,050	136,389	-	-	186,050	136,389
Sewer	-	-	1,360,942	1,353,593	1,360,942	1,353,593
Water	-	-	888,318	895,832	888,318	895,832
Harbor	-	-	631,684	479,760	631,684	479,760
Municipal golf course	-	-	325,111	339,198	325,111	339,198
Rubbish and garbage	-	-	223,903	209,177	223,903	209,177
Total expenses	<u>4,908,975</u>	<u>4,917,490</u>	<u>3,429,958</u>	<u>3,277,560</u>	<u>8,338,933</u>	<u>8,195,050</u>
Excess of revenues over expenses before other	<u>923,045</u>	<u>593,020</u>	<u>2,564,411</u>	<u>30,970</u>	<u>3,487,456</u>	<u>623,990</u>
Other items:						
Contributions to principal	900	1,125	-	-	900	1,125
Gain on capital assets	22,065	5,000	-	-	22,065	5,000
Transfers	15,400	(13,898)	(29,561)	(29,560)	(14,161)	(43,458)
Total other items	<u>38,365</u>	<u>(7,773)</u>	<u>(29,561)</u>	<u>(29,560)</u>	<u>8,804</u>	<u>(37,333)</u>
Change in net assets	<u>961,410</u>	<u>585,247</u>	<u>2,534,850</u>	<u>1,410</u>	<u>3,496,260</u>	<u>586,657</u>
Net assets, beginning of year, restated	<u>10,578,986</u>	<u>9,993,739</u>	<u>13,671,335</u>	<u>13,669,925</u>	<u>24,250,321</u>	<u>23,663,664</u>
Net assets, end of year	<u>\$ 11,540,396</u>	<u>\$ 10,578,986</u>	<u>\$ 16,206,185</u>	<u>\$ 13,671,335</u>	<u>\$ 27,746,581</u>	<u>\$ 24,250,321</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

City Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental funds are the General Fund and Major Street Fund. Additionally, the City reports the Sewer, Water, and Harbor funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had an increased fund balance of \$767,530.

The Major Street Fund is used to account for the maintenance and construction of the City's major street system. This fund had a decreased fund balance of \$699,468.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

The Harbor Fund is used to account for the revenues and expenses for the operation of the harbor.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

Differences between the original and final amended budgets for revenues and expenditures were positive. Budgeted revenues were not adjusted. Revenue results exceeded budgeted amounts by 7.7% or \$284,891. Budgeted expenses were not adjusted in total but were reallocated within the various departments. General Fund expenditures were down \$327,931. Major contributors, by department, were as follows; General Government down \$163,519, Public Safety down \$57,134, Public Works down \$36,698, Recreation and Culture down \$26,207, Capital outlay down \$34,731.

The City's General Fund ended fiscal year 2007 with a net increase to the fund balance of \$767,530.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of September 30, 2007 amounts to \$31,839,843 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, site improvements, vehicles, furniture and equipment, sewer and water systems, streets, harbor. Governmental activities included additions of \$1,110,061 in building improvements, equipment, infrastructure and site improvements. Business-type activities included additions of \$3,506,408 which was mainly attributable to the harbor renovation.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Debt – At the end of the current fiscal year, the City had total debt outstanding of \$10,993,689. Of this amount, \$10,413,689 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt (\$580,000) is backed solely by specified revenue sources. Governmental activities debt decreased by \$178,670, which was the current year's principal payment. The final principal payment was made on debt issued in 1992 for major and local road improvements.

Business-type activities incurred new debt of \$650,000 for the harbor renovation and made principal payments of \$545,250.

Economic Factors

Revenues:

The major sources of revenue for the City are property taxes, State-shared revenue, and charges for services. These sources have certain limitations, outside control of the City, and are currently being impacted negatively.

Changes in taxable value, as a result of the current economic downturn (manufacturing facility closures and bankruptcies), are certain to have a negative impact on tax revenues received by the City.

Further, the State of Michigan has experienced budget deficits and as a result has reduced revenue-sharing payments to local governments as a way to reduce their deficits. Revenue sharing, during the current fiscal year, decreased \$22,613. Finally, restrictions on increases to service fees are also a reality as the poor over-all economy does not allow for increases.

Expenditures:

Cost controls have been initiated, have proven beneficial and will need to continue.

Retiree health care will have a profound effect on the City's finances in the near future. To illustrate, consider that expenditures on retiree health coverage increased during the current year by \$14,449. Further, consider that slightly more than half of the City's employees will be eligible for retirement within the next 10 years. The City currently provides retirees health care coverage until the employee reaches the age necessary to qualify for Medicare (65). In the City's pay-as-you-go retiree health care plan, there are no assets set aside. Thus, funding will have to come out of current revenues. This 'Baby Boom' reality necessitates the creation of a plan to mitigate the requirements of providing health care for retirees.

Other:

The Industrial Park remains vacant. The City is obligated, by the Michigan Economic Development Corporation who gave us the grant, to develop the park alongside our own funding to create jobs in the park thus mitigating the requirement of repayment of the original grant (see Note 12). Due to the state of the economy, finding companies to occupy the land has been difficult. Alternative enticements have been explored in hopes of landing the first tenant. In 2007, the City Council approved the replatting of the Industrial Park that will allow for more development opportunities. This action, along with other programs, may help spur development in the upcoming year.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact St. Clair City Hall, 547 N. Carney Drive, St. Clair, Michigan, 48079.

BASIC FINANCIAL STATEMENTS

CITY OF ST. CLAIR

STATEMENT OF NET ASSETS

September 30, 2007

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>		<i>Units</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	
Assets:				
Cash and investments	\$ 6,229,453	\$ 1,984,306	\$ 8,213,759	\$ 230,758
Receivables	2,575,759	835,505	3,411,264	86,667
Internal balances	(281,160)	281,160	-	-
Inventory	-	16,386	16,386	-
Prepaid expenses	310,241	-	310,241	-
Restricted cash and investments	-	212,177	212,177	-
Capital assets:				
Nondepreciable capital assets	2,778,001	581,764	3,359,765	-
Depreciable capital assets, net	8,716,920	19,763,158	28,480,078	-
Other	15,068	116,269	131,337	-
Total assets	<u>20,344,282</u>	<u>23,790,725</u>	<u>44,135,007</u>	<u>317,425</u>
Liabilities:				
Accounts payable and accrued expenses	294,672	124,377	419,049	40,596
Deferred revenue	3,769,253	497,352	4,266,605	83,967
Long-term liabilities:				
Due within one year	370,459	297,257	667,716	37,284
Due in more than one year	<u>4,369,502</u>	<u>6,665,554</u>	<u>11,035,056</u>	<u>132,316</u>
Total liabilities	<u>8,803,886</u>	<u>7,584,540</u>	<u>16,388,426</u>	<u>294,163</u>
Net assets:				
Invested in capital assets, net of related debt	7,167,720	13,678,434	20,846,154	(169,600)
Restricted for:				
Debt service	280,696	212,177	492,873	-
Streets	970,794	-	970,794	-
Nonexpendable cemetery principal	229,502	-	229,502	-
Expendable library trust	45,521	-	45,521	-
Unrestricted	<u>2,846,163</u>	<u>2,315,574</u>	<u>5,161,737</u>	<u>192,862</u>
Total net assets	<u>\$ 11,540,396</u>	<u>\$ 16,206,185</u>	<u>\$ 27,746,581</u>	<u>\$ 23,262</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$1,319,809	\$ 143,969	\$ -	\$ -	\$(1,175,840)
Public safety	1,531,894	63,430	28,127	-	(1,440,337)
Public works	1,063,823	79,015	434,674	-	(550,134)
Health and welfare	38,290	-	-	-	(38,290)
Community and economic development	48,036	5,271	-	-	(42,765)
Recreation and culture	721,073	143,006	171,979	-	(406,088)
Interest on long-term debt	186,050	-	-	-	(186,050)
Total governmental activities	4,908,975	434,691	634,780	-	(3,839,504)
Business-type activities:					
Sewer	1,360,942	1,300,137	-	-	(60,805)
Water	888,318	793,127	-	-	(95,191)
Harbor	631,684	507,685	-	2,683,503	2,559,504
Municipal golf course	325,111	262,226	-	-	(62,885)
Rubbish and garbage	223,903	234,224	-	-	10,321
Total business-type activities	3,429,958	3,097,399	-	2,683,503	2,350,944
Total primary government	\$8,338,933	\$ 3,532,090	\$ 634,780	\$ 2,683,503	\$(1,488,560)
COMPONENT UNITS:					
Downtown development authority	\$ 134,857	\$ -	\$ 52,500	\$ -	\$ (82,357)
Local development finance authority	4,125	-	-	-	(4,125)
Total component units	\$ 138,982	\$ -	\$ 52,500	\$ -	\$ (86,482)

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Units</u>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (3,839,504)	\$ 2,350,944	\$ (1,488,560)	\$ (86,482)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,003,553	-	3,003,553	-
Property taxes, levied for debt service	388,709	175,128	563,837	-
Property taxes, levied for pension	225,229	-	225,229	-
Property taxes, captured by DDA	-	-	-	100,668
Franchise fees	168,659	-	168,659	-
Grants and contributions not restricted to specific programs	497,979	-	497,979	-
Unrestricted investment earnings	463,031	38,339	501,370	3,730
Miscellaneous	15,389	-	15,389	-
Contributions to principal of permanent funds	900	-	900	-
Special item - Gain on sale of capital asset	22,065	-	22,065	-
Transfers	15,400	(29,561)	(14,161)	14,161
Total general revenues, contributions, special items and transfers	4,800,914	183,906	4,984,820	118,559
Change in net assets	961,410	2,534,850	3,496,260	32,077
Net assets, beginning of year, restated	10,578,986	13,671,335	24,250,321	(8,815)
Net assets, end of year	\$ 11,540,396	\$ 16,206,185	\$ 27,746,581	\$ 23,262

CITY OF ST. CLAIR

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2007

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and investments	\$ 2,790,154	\$ 942,495	\$ 1,424,171	\$ 5,156,820
Taxes receivable	1,944,811	-	363,462	2,308,273
Accounts receivable	2,073	-	7,604	9,677
Special assessments receivable	-	-	4,156	4,156
Notes receivable	-	-	1,000	1,000
Accrued interest receivable	42,375	-	2,428	44,803
Due from other governmental units	113,748	43,918	40,968	198,634
Due from other funds	41,897	-	1,468	43,365
Prepaid expenditures	310,241	-	-	310,241
Advance receivable from other funds	181,478	-	-	181,478
Total assets	<u>\$ 5,426,777</u>	<u>\$ 986,413</u>	<u>\$ 1,845,257</u>	<u>\$ 8,258,447</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 25,261	\$ 52,770	\$ 38,144	\$ 116,175
Accrued expenses	42,048	1,775	30,960	74,783
Due to other funds	1,468	-	41,897	43,365
Deposits payable	10,180	-	28,186	38,366
Advance payable to other funds	-	-	462,638	462,638
Deferred revenue	3,180,149	-	593,260	3,773,409
Total liabilities	<u>3,259,106</u>	<u>54,545</u>	<u>1,195,085</u>	<u>4,508,736</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	310,241	-	-	310,241
Advance receivable	181,478	-	-	181,478
Debt service	-	-	280,696	280,696
Nonexpendable cemetery principal	-	-	229,502	229,502
Expendable library trust	-	-	45,521	45,521
Unreserved:				
General fund	1,675,952	-	-	1,675,952
Special revenue funds	-	931,868	379,046	1,310,914
Capital projects	-	-	(284,593)	(284,593)
Total fund balances	<u>2,167,671</u>	<u>931,868</u>	<u>650,172</u>	<u>3,749,711</u>
Total liabilities and fund balances	<u>\$ 5,426,777</u>	<u>\$ 986,413</u>	<u>\$ 1,845,257</u>	<u>\$ 8,258,447</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2007

Total fund balances for governmental funds		\$ 3,749,711
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	15,447,549	
Less accumulated depreciation	<u>(4,341,296)</u>	11,106,253
Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond.		
		15,068
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(63,041)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
Special assessments		4,156
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Bonds payable	(4,327,201)	
Compensated absences payable	<u>(397,997)</u>	(4,725,198)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		
		<u>1,453,447</u>
Net assets of governmental activities		<u>\$11,540,396</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2007

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Property taxes	\$ 2,652,308	\$ 182,840	\$ 790,135	\$ 3,625,283
Licenses and permits	104,219	-	135,808	240,027
State grants	604,294	261,446	172,628	1,038,368
Contributions from other units	-	-	24,171	24,171
Charges for services	123,498	-	142,165	265,663
Fines and forfeits	21,812	-	-	21,812
Interest and rents	320,337	124,030	30,664	475,031
Other revenue	170,905	-	34,948	205,853
Total revenues	<u>3,997,373</u>	<u>568,316</u>	<u>1,330,519</u>	<u>5,896,208</u>
Expenditures:				
Current				
General government	873,402	-	77,319	950,721
Public safety	1,108,781	-	212,909	1,321,690
Public works	222,000	233,089	485,857	940,946
Health and welfare	32,308	-	-	32,308
Community and economic development	19,464	-	28,572	48,036
Recreation and culture	219,498	-	357,819	577,317
Other	390,307	-	-	390,307
Capital outlay	106,594	944,520	64,771	1,115,885
Debt service				
Principal	-	29,696	148,974	178,670
Interest and fees	-	60,479	196,928	257,407
Total expenditures	<u>2,972,354</u>	<u>1,267,784</u>	<u>1,573,149</u>	<u>5,813,287</u>
Excess (deficiency) of revenues over expenditures	<u>1,025,019</u>	<u>(699,468)</u>	<u>(242,630)</u>	<u>82,921</u>
Other financing sources (uses):				
Transfers in from other funds	9,600	-	282,489	292,089
Transfers out to other funds	(257,489)	-	(9,600)	(267,089)
Transfers out to component units	(9,600)	-	-	(9,600)
Total other financing sources (uses)	<u>(257,489)</u>	<u>-</u>	<u>272,889</u>	<u>15,400</u>
Net change in fund balances	767,530	(699,468)	30,259	98,321
Fund balances, beginning of year, restated	<u>1,400,141</u>	<u>1,631,336</u>	<u>619,913</u>	<u>3,651,390</u>
Fund balances, end of year	<u>\$ 2,167,671</u>	<u>\$ 931,868</u>	<u>\$ 650,172</u>	<u>\$ 3,749,711</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Net change in fund balances - total governmental funds \$ 98,321

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,076,317	
Less depreciation expense	(384,192)	
Less loss on disposal of capital assets	<u>(25,530)</u>	666,595

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Grants	(100,000)	
Special assessments	<u>(8,061)</u>	(108,061)

Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond. (1,883)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 178,670

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	(18,329)	
Change in accrued interest on bonds and loans payable	<u>73,239</u>	54,910

The net revenue (expense) of the internal service fund is reported with governmental activities. 72,858

Change in net assets of governmental activities \$ 961,410

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2007

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Assets:						
Current assets:						
Cash and investments	\$ 350,885	\$ 1,229,189	\$ 350,015	\$ 54,217	\$ 1,984,306	\$ 1,072,633
Taxes receivable	309,590	-	-	-	309,590	-
Accounts receivable	303,431	154,825	166	46,281	504,703	-
Special assessments receivable	17,315	3,397	-	-	20,712	9,216
Due from other governmental units	-	-	500	-	500	-
Inventory	-	-	16,386	-	16,386	-
Total current assets	<u>981,221</u>	<u>1,387,411</u>	<u>367,067</u>	<u>100,498</u>	<u>2,836,197</u>	<u>1,081,849</u>
Noncurrent assets:						
Restricted cash and investments	148,723	1,462	-	61,992	212,177	-
Capital assets:						
Nondepreciable capital assets	122,258	16,483	170,311	272,712	581,764	-
Depreciable capital assets, net	13,096,886	2,455,282	3,667,261	543,729	19,763,158	388,668
Advance receivable from other funds	199,600	81,560	-	-	281,160	-
Deferred charges	68,526	-	26,565	21,178	116,269	-
Total noncurrent assets	<u>13,635,993</u>	<u>2,554,787</u>	<u>3,864,137</u>	<u>899,611</u>	<u>20,954,528</u>	<u>388,668</u>
Total assets	<u>14,617,214</u>	<u>3,942,198</u>	<u>4,231,204</u>	<u>1,000,109</u>	<u>23,790,725</u>	<u>1,470,517</u>
Liabilities:						
Current liabilities:						
Accounts payable	12,492	7,497	5,908	4,174	30,071	1,344
Accrued expenses	5,383	6,162	23,302	31,346	66,193	963
Deposits payable	3,000	-	2,200	-	5,200	-
Accrued interest payable	15,394	4,688	-	2,831	22,913	-
Deferred revenue	496,650	-	-	702	497,352	-
Current portion of long-term debt	182,312	52,688	-	62,257	297,257	-
Total current liabilities	<u>715,231</u>	<u>71,035</u>	<u>31,410</u>	<u>101,310</u>	<u>918,986</u>	<u>2,307</u>

continued

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS, CONTINUED

September 30, 2007

	<i>Business-type Activities</i>				<i>Governmental Activities</i>	
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Noncurrent liabilities:						
Compensated absences payable	105,915	178,083	-	12,325	296,323	14,763
Long-term debt	<u>5,385,096</u>	<u>133,192</u>	<u>630,000</u>	<u>220,943</u>	<u>6,369,231</u>	<u>-</u>
Total noncurrent liabilities	<u>5,491,011</u>	<u>311,275</u>	<u>630,000</u>	<u>233,268</u>	<u>6,665,554</u>	<u>14,763</u>
Total liabilities	<u>6,206,242</u>	<u>382,310</u>	<u>661,410</u>	<u>334,578</u>	<u>7,584,540</u>	<u>17,070</u>
Net assets:						
Invested in capital assets, net of related debt	7,651,736	2,285,885	3,207,572	533,241	13,678,434	388,668
Restricted for:						
Debt service	148,723	1,462	-	61,992	212,177	-
Unrestricted	<u>610,513</u>	<u>1,272,541</u>	<u>362,222</u>	<u>70,298</u>	<u>2,315,574</u>	<u>1,064,779</u>
Total net assets	<u>\$ 8,410,972</u>	<u>\$ 3,559,888</u>	<u>\$ 3,569,794</u>	<u>\$ 665,531</u>	<u>\$ 16,206,185</u>	<u>\$ 1,453,447</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended September 30, 2007

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Operating revenues:						
Charges for services	\$ 1,199,276	\$ 777,019	\$ 496,249	\$ 477,320	\$ 2,949,864	\$ -
Penalties	12,080	15,298	-	4,655	32,033	-
Equipment rental	-	-	-	-	-	257,961
Other	88,781	810	11,436	519	101,546	-
Total operating revenues	1,300,137	793,127	507,685	482,494	3,083,443	257,961
Operating expenses:						
Personnel	268,806	383,610	123,171	110,783	886,370	50,746
Fringe benefits	95,154	83,275	17,615	46,302	242,346	22,530
Supplies	45,233	48,374	254,715	30,802	379,124	992
Contracted services	112,885	46,669	88,866	233,469	481,889	682
Administrative expense	24,000	22,800	18,900	9,000	74,700	-
Telephone	5,032	1,871	5,104	1,224	13,231	-
Mileage	110	-	323	-	433	-
Dues, licenses and permits	12,240	732	300	290	13,562	-
Education and training	398	1,463	658	524	3,043	-
Printing and publishing	-	-	1,391	2,524	3,915	-
Insurance	19,337	8,125	2,097	1,234	30,793	-
Utilities	99,935	59,758	19,278	13,621	192,592	11,975
Repairs and maintenance	49,669	23,012	21,001	15,785	109,467	30,336
Equipment rental	31,825	48,776	-	10,951	91,552	-
Other services and supplies	18,803	22,767	884	-	42,454	4,273
Depreciation	383,279	122,206	55,843	60,332	621,660	74,527
Total operating expenses	1,166,706	873,438	610,146	536,841	3,187,131	196,061
Operating income (loss)	133,431	(80,311)	(102,461)	(54,347)	(103,688)	61,900
Non-operating revenues (expenses):						
Property taxes	175,128	-	-	-	175,128	-
Interest income	11,306	11,381	11,396	4,256	38,339	8,458
Rental income	-	-	-	13,956	13,956	-
Gain on sale of capital assets	-	-	-	-	-	2,500
Amortization expense	(28,017)	(1,752)	(681)	(5,294)	(35,744)	-
Interest expense	(166,219)	(13,128)	(20,857)	(6,879)	(207,083)	-
Total non-operating revenues (expenses)	(7,802)	(3,499)	(10,142)	6,039	(15,404)	10,958

continued

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended September 30, 2007

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net income (loss) before other items	125,629	(83,810)	(112,603)	(48,308)	(119,092)	72,858
Federal capital contributions	-	-	2,200,000	-	2,200,000	-
State capital contributions	-	-	483,503	-	483,503	-
Transfer to other funds	(12,500)	(12,500)	-	-	(25,000)	-
Transfer to component units	-	-	(4,561)	-	(4,561)	-
Net income (loss)	113,129	(96,310)	2,566,339	(48,308)	2,534,850	72,858
Net assets, beginning of year	8,297,843	3,656,198	1,003,455	713,839	13,671,335	1,380,589
Net assets, end of year	<u>\$ 8,410,972</u>	<u>\$ 3,559,888</u>	<u>\$ 3,569,794</u>	<u>\$ 665,531</u>	<u>\$ 16,206,185</u>	<u>\$ 1,453,447</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS **STATEMENT OF CASH FLOWS** Year Ended September 30, 2007

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash flows from operating activities:						
Cash received from customers	\$ 1,419,611	\$ 817,385	\$ 507,019	\$ 477,324	\$ 3,221,339	\$ 3,322
Cash received from interfund services	-	-	-	-	-	257,961
Cash payments to employees	(259,520)	(393,331)	(123,171)	(107,576)	(883,598)	(50,159)
Cash payments to suppliers for goods and services	(518,254)	(373,509)	(420,516)	(365,282)	(1,677,561)	(69,458)
Net cash provided (used) by operating activities	641,837	50,545	(36,668)	4,466	660,180	141,666
Cash flows from non-capital financing activities:						
Transfers out	(12,500)	(12,500)	(4,561)	-	(29,561)	-
Net cash used by non-capital financing activities	(12,500)	(12,500)	(4,561)	-	(29,561)	-
Cash flows from capital and related financing activities:						
Property taxes received	175,128	-	-	-	175,128	-
Federal/state capital contributions	-	-	2,683,503	-	2,683,503	-
Gain on sale of capital assets	-	-	-	-	-	2,500
Acquisition and construction of capital assets	(129,783)	(71,771)	(3,304,853)	-	(3,506,407)	(33,743)
Proceeds from bond less deferred	-	-	622,754	-	622,754	-
Principal payments	(417,313)	(47,688)	(20,000)	(60,249)	(545,250)	-
Interest paid	(166,219)	(13,128)	(20,857)	(6,879)	(207,083)	-
Net cash provided (used) by capital and related financing activities	(538,187)	(132,587)	(39,453)	(67,128)	(777,355)	(31,243)
Cash flows from investing activities:						
Interest received	11,306	11,381	11,396	4,256	38,339	8,458
Rent received	-	-	-	13,956	13,956	-
Net cash provided by investing activities	11,306	11,381	11,396	18,212	52,295	8,458

continued

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended September 30, 2007

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net increase (decrease) in cash and investments	102,456	(83,161)	(69,286)	(44,450)	(94,441)	118,881
Cash and investments, beginning of year	397,152	1,313,812	419,301	160,659	2,290,924	953,752
Cash and investments, end of year	<u>\$ 499,608</u>	<u>\$ 1,230,651</u>	<u>\$ 350,015</u>	<u>\$ 116,209</u>	<u>\$ 2,196,483</u>	<u>\$ 1,072,633</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 133,431	\$ (80,311)	\$ (102,461)	\$ (54,347)	\$ (103,688)	\$ 61,900
Adjustments:						
Depreciation	383,279	122,206	55,843	60,332	621,660	74,527
Change in assets and liabilities:						
Taxes receivable	(184,090)	-	-	-	(184,090)	-
Accounts receivable	(31,038)	21,705	(166)	(5,383)	(14,882)	183
Special assessments receivable	13,080	2,553	-	-	15,633	3,139
Due from other governmental units	-	-	(500)	-	(500)	-
Inventory	-	-	13,084	-	13,084	-
Accounts payable	836	(2,159)	(2,612)	3,919	(16)	1,302
Accrued expenses	(1,948)	(2,478)	144	(2,972)	(7,254)	28
Accrued interest payable	(2,521)	(1,250)	-	(503)	(4,274)	-
Deferred revenue	321,522	-	-	213	321,735	-
Compensated absences payable	9,286	(9,721)	-	3,207	2,772	587
Net cash provided (used) by operating activities	<u>\$ 641,837</u>	<u>\$ 50,545</u>	<u>\$ (36,668)</u>	<u>\$ 4,466</u>	<u>\$ 660,180</u>	<u>\$ 141,666</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2007

	<u><i>Agency Fund</i></u>
Assets:	
Cash and investments	<u>\$ 4,552,659</u>
Total assets	<u>4,552,659</u>
Liabilities:	
Accounts payable	21,785
Undistributed tax collections	<u>4,530,874</u>
Total liabilities	<u>4,552,659</u>
Net Assets:	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Clair, Michigan, a Municipal Corporation, was organized as a Village in 1850 under provisions of the Constitution and general law of the State of Michigan, and became a Home Rule City in 1980 under a local act. Located approximately 48 miles from Detroit and 12 miles from Port Huron, the City of St. Clair covers an area of approximately five square miles and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council, which consists of a Mayor and six Council members, with daily activities operated by the City Superintendent, Clerk, and Treasurer. The City provides services to more than 5,000 residents in many areas, including law enforcement, fire protection, water, sewer, streets, parks, and recreation.

The accounting policies of the City of St. Clair conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Blended Component Units – Blended component units are component units so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. The blended component units are:

Building Authority - The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units - These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Local Development Finance Authority - The Local Development Finance Authority (LDFA) was created for the improvement of future industrial property and for non-motorized pathways, traffic control, and safety improvements. The LDFA's governing body, which consists of 12 members, is selected by the City Council. In addition, the budgets and expenditures of the LDFA must be approved by the City Council.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Downtown Development Authority - The Downtown Development Authority (DDA), created during 2003, is a separate legal entity. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

Economic Development Corporation - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to residents. The EDC's governing body is selected by the City Council. The EDC was inactive during the year and has no assets and liabilities.

Joint Ventures – The St. Clair Area Fire Authority is a joint venture with the Townships of China, East China, and St. Clair. The Authority was established effective October 1, 2002 in accordance with *Michigan Public Act No. 33 of 1951* for the purpose of forming a joint fire authority for uniform and orderly control of fire protection, fire department functions (including purchases, leases, and insurance coverage), and financing within the territorial limits of the City of St. Clair and the surrounding townships. Complete financial statements for the Authority can be obtained from the City Accountant. The City's fire department assets are being leased to the Fire Authority for \$1 per year.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Harbor Fund – The Harbor Fund is used to account for the revenues and expenses for the operation of the harbor.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools, if any, to be cash equivalents.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Expenses – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$500 before October 1, 2006 and \$5,000 after October 1, 2006. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after October 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Distribution systems	15-50 years
Equipment	4-20 years
Furniture and fixtures	5-15 years
Infrastructure	50 years
Site improvements	5-20 years
Vehicles	3-10 years

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Property Taxes

Properties are assessed as of December 31, and the related property taxes become a lien on that date. These taxes are billed on the following August 1, are due on September 30, with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 taxable valuation of the City totaled \$237,494,191, on which ad valorem taxes levied consisted of 13.0399 mills for the City's operating purposes, 1.000 mill for pension, and 1.3243 mills for debt.

Property taxes billed during the month of August will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Accountant and Superintendent submit to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
General Fund:			
Health and welfare	\$ 29,956	\$ 32,308	\$ 2,352

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,791,394 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u><i>Investment</i></u>	<u><i>Carrying Value</i></u>	<u><i>How Held</i></u>
U.S. government and agency securities	\$ 3,216,620	Counterparty

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 117,738	< 1 year
Federal Home Loan Bank	1,769,540	5 years
Fannie Mae	176,645	2 years
Federal Farm Credit Bank	450,149	2 years
Federal National Mortgage Association	701,604	8 years
Government National Mortgage Association	944	13 years

Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government and agency securities	\$ 1,313,829	AAA	Moody, S&P
U.S. government and agency securities	762,102	AAA	Moody
U.S. government and agency securities	321,180	AAA	S&P
U.S. government and agency securities	819,509		Not rated

Concentration of Credit Risk:

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Concentration</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 117,738	4%
Federal Home Loan Bank	1,769,540	55%
Fannie Mae	176,645	5%
Federal Farm Credit Bank	450,149	14%
Federal National Mortgage Association	701,604	22%
Government National Mortgage Association	944	0%

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

NOTE 4: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	<u>October 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2007</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 2,778,001	\$ -	\$ -	\$ 2,778,001
Depreciable capital assets				
Buildings and improvements	4,691,583	5,421	-	4,697,004
Equipment	2,113,342	72,116	(186,834)	1,998,624
Furniture and fixtures	343,030	-	-	343,030
Infrastructure	2,564,176	821,162	-	3,385,338
Site improvements	1,730,203	211,362	-	1,941,565
Vehicles	<u>1,609,963</u>	<u>-</u>	<u>(124,884)</u>	<u>1,485,079</u>
Subtotal depreciable capital assets	13,052,297	1,110,061	(311,718)	13,850,640
Accumulated depreciation	<u>(4,961,188)</u>	<u>(458,585)</u>	<u>286,053</u>	<u>(5,133,720)</u>
Depreciable capital assets, net	<u>8,091,109</u>	<u>651,476</u>	<u>(25,665)</u>	<u>8,716,920</u>
Governmental activities, capital assets, net	<u>\$10,869,110</u>	<u>\$ 651,476</u>	<u>\$ (25,665)</u>	<u>\$ 11,494,921</u>
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 581,764	\$ -	\$ -	\$ 581,764
Depreciable capital assets				
Buildings and improvements	8,448,733	98,534	-	8,547,267
Equipment	775,971	289,099	(52,332)	1,012,738
Sewer system	12,639,701	110,217	-	12,749,918
Site improvements	1,651,862	2,964,278	(840,894)	3,775,246
Vehicles	35,040	-	-	35,040
Water system	<u>3,534,266</u>	<u>44,280</u>	<u>-</u>	<u>3,578,546</u>
Subtotal depreciable capital assets	27,085,573	3,506,408	(893,226)	29,698,755
Accumulated depreciation	<u>(10,207,162)</u>	<u>(596,804)</u>	<u>868,369</u>	<u>(9,935,597)</u>
Depreciable capital assets, net	<u>16,878,411</u>	<u>2,909,604</u>	<u>(24,857)</u>	<u>19,763,158</u>
Business-type activities, capital assets, net	<u>\$17,460,175</u>	<u>\$2,909,604</u>	<u>\$ (24,857)</u>	<u>\$ 20,344,922</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Depreciation expense was charged to programs of the primary government as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
General government	\$ 83,148	\$ -
Public safety	85,515	-
Public works	171,508	-
Health and welfare	5,982	-
Recreation and culture	112,432	-
Municipal golf course	-	59,230
Sewer	-	383,279
Water	-	122,206
Harbor	-	32,089
Total depreciation	<u>\$ 458,585</u>	<u>\$ 596,804</u>

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<i><u>Unavailable</u></i>	<i><u>Unearned</u></i>
Primary Government:		
Property taxes collected in advance	\$ -	\$ 4,253,271
Special assessments	4,156	-
Other	-	13,343
	<u>\$ 4,156</u>	<u>\$ 4,266,614</u>
Component Units:		
Property taxes collected in advance	<u>\$ -</u>	<u>\$ 83,967</u>

NOTE 6: LONG-TERM DEBT

The City may issue bonds for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Long-term obligation activity is summarized as follows:

	<u><i>Principal Maturity Ranges</i></u>	<u><i>October 1, 2006</i></u>	<u><i>Additions (Payments)</i></u>	<u><i>September 30, 2007</i></u>	<u><i>Due Within One Year</i></u>
Governmental Activities:					
General obligation bonds - 1992 Michigan Transportation Fund (LTGO) for \$355,000 at 6% interest; Maturing through May 1, 2007	\$30,000-35,000	\$ 35,000	\$ (35,000)	\$ -	\$ -
General obligation bonds - 1997 G/O Limited Tax Bonds for \$100,000 at 4.80 to 5.10% interest; Maturing through November 1, 2007	10,000	20,000	(10,000)	10,000	10,000
General obligation bonds - 1999 Building Authority Bonds for \$995,000 at 4.60 to 4.625% interest; Maturing through November 1, 2014	55,000-85,000	650,000	(60,000)	590,000	60,000
General obligation bonds - 2004 Building Authority Refunding Bonds for \$415,000 (35.78% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	33,943-64,404	305,871	(53,670)	252,201	55,459
General obligation bonds - 2005 G/O Unlimited Tax Bonds for \$3,455,000 at 3.0 to 3.6% interest; Maturing through November 1, 2016	225,000-480,000	3,455,000	-	3,455,000	225,000
Special assessment bonds - 1997 Special Assessment Bonds for \$220,000 at 4.75 to 5.00% interest; Maturing through November 1, 2007	20,000-25,000	40,000	(20,000)	20,000	20,000
Compensated absences		<u>393,843</u>	<u>18,917</u>	<u>412,760</u>	<u>-</u>
Total Governmental Activities		<u>\$ 4,899,714</u>	<u>\$ (159,753)</u>	<u>\$ 4,739,961</u>	<u>\$ 370,459</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

	<i><u>Principal Maturity Ranges</u></i>	<i><u>October 1, 2006</u></i>	<i><u>Additions (Payments)</u></i>	<i><u>September 30, 2007</u></i>	<i><u>Due Within One Year</u></i>
Business-type Activities:					
General obligation bonds - 2002 State Revolving Fund Bonds for \$4,948,287 at 2.5% interest; Maturing through October 1, 2023	\$203,287-310,000	\$ 4,338,287	\$ (215,000)	\$ 4,123,287	\$ -
General obligation bonds - 2002 Capital Improvement Bonds for \$410,000 at 3.0 to 4.7% interest; Maturing through October 1, 2022	15,000-30,000	380,000	(15,000)	365,000	-
General obligation bonds - 2004 General Obligation Refunding Bonds for \$830,000 at 2.0 to 3.4% interest; Maturing through November 1, 2013	75,000-100,000	695,000	(80,000)	615,000	75,000
General obligation bonds - 2004 Building Authority Refunding Bonds for \$465,954 (40.16% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	38,241-72,288	343,451	(60,250)	283,201	62,257
General obligation bonds - 2007 Capital Improvement Bonds for \$650,000 at 4.0 to 4.5% interest; Maturing through October 1, 2026	20,000-50,000	-	630,000	630,000	-
Revenue bonds - 1989 Refunding Water Bonds for \$560,000 at 7.40 to 7.50% interest; Maturing through November 1, 2009	40,000-55,000	190,000	(40,000)	150,000	45,000
Revenue bonds - 1998 Sewer System Refunding Bonds for \$995,000 at 4.25 to 4.75% interest; Maturing through May 1, 2011	80,000-115,000	530,000	(100,000)	430,000	100,000
Special assessment bonds - 2001 Special Assessment Limited Tax Bonds for \$150,000 at 4.75% to 5.0% interest; Maturing through April 1, 2011	15,000-20,000	85,000	(15,000)	70,000	15,000
Compensated absences		<u>293,551</u>	<u>2,772</u>	<u>296,323</u>	<u>-</u>
Total Business-type Activities		<u>\$ 6,855,289</u>	<u>\$ 107,522</u>	<u>\$ 6,962,811</u>	<u>\$ 297,257</u>

Component Units:

General obligation bonds - 2004 Building Authority Refunding Bonds for \$279,046 (24.06% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	\$22,860-43,298	<u>\$ 205,681</u>	<u>\$ (36,081)</u>	<u>\$ 169,600</u>	<u>\$ 37,284</u>
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CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Annual debt service requirements to maturity for the above bond obligations are as follows:

<i>Year Ended September 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 370,459	\$ 145,223	\$ 515,682	\$ 297,257	\$ 128,894	\$ 426,151
2009	377,615	133,254	510,869	565,290	187,298	752,588
2010	409,404	120,812	530,216	622,298	167,483	789,781
2011	405,780	107,277	513,057	540,166	147,901	688,067
2012	433,943	92,360	526,303	413,190	130,108	543,298
2013-2017	2,330,000	211,548	2,541,548	1,705,000	495,893	2,200,893
2018-2022	-	-	-	1,750,000	263,083	2,013,083
2023-2027	-	-	-	773,287	43,118	816,405
	<u>\$ 4,327,201</u>	<u>\$ 810,474</u>	<u>\$ 5,137,675</u>	<u>\$ 6,666,488</u>	<u>\$ 1,563,778</u>	<u>\$ 8,230,266</u>

<i>Year Ended September 30,</i>	<i>Component Units</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 37,284	\$ 3,697	\$ 40,981
2009	42,095	2,877	44,972
2010	43,298	1,888	45,186
2011	24,054	674	24,728
2012	22,869	343	23,212
	<u>\$ 169,600</u>	<u>\$ 9,479</u>	<u>\$ 179,079</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Units</i>
Receivables:			
Property taxes	\$ 2,308,273	\$ 309,590	\$ 83,967
Accounts	9,677	504,703	2,700
Special assessments	13,372	20,712	-
Notes	1,000	-	-
Accrued interest	44,803	-	-
Intergovernmental	198,634	-	-
Total receivables	<u>\$ 2,575,759</u>	<u>\$ 835,005</u>	<u>\$ 86,667</u>
Accounts payable and accrued expenses:			
Accounts	\$ 117,519	\$ 30,071	\$ 38,900
Payroll and related liabilities	75,746	66,193	-
Deposits payable	38,366	5,200	-
Accrued interest	63,041	22,913	1,697
Total accounts payable and accrued expenses	<u>\$ 294,672</u>	<u>\$ 124,377</u>	<u>\$ 40,597</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at September 30, 2007 is as follows reported in the fund financial statements:

<u><i>Receivable Fund</i></u>	<u><i>Payable Fund</i></u>	<u><i>Amount</i></u>
General Fund	Trunkline Maintenance Fund	\$ 35,297
General Fund	Cemetery Perpetual Care Fund	6,600
Building Department Fund	General Fund	649
Cable Programming Fund	General Fund	819
		<u>\$ 43,365</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of advance receivable and payable balances at September 30, 2007 is as follows reported in the fund financial statements:

<u><i>Receivable Fund</i></u>	<u><i>Payable Fund</i></u>	<u><i>Amount</i></u>
General Fund	St. Clair Regional Industrial Park Fund	\$ 181,478
Sewer Fund	St. Clair Regional Industrial Park Fund	199,600
Water Fund	St. Clair Regional Industrial Park Fund	81,560
		<u>\$ 462,638</u>

Management does not anticipate repayment until industrial lots are sold.

The composition of interfund transfers at September 30, 2007 is as follows reported in the fund financial statements:

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 88,929
	Building Department Fund	23,615
	Cable Programming Fund	21,014
	1999 Building Authority Fund	88,649
	2004 Building Authority Fund	35,282
	Component Units	
	Local Development Finance Authority	<u>9,600</u> \$ 267,089
Nonmajor Governmental Funds	General Fund	
Cemetery Perpetual Care Fund		9,600
Sewer Fund	Nonmajor Governmental Funds	
	2004 Building Authority Fund	12,500
Water Fund	Nonmajor Governmental Funds	
	2004 Building Authority Fund	12,500
Harbor Fund	Component Units	
	Local Development Finance Authority	<u>4,561</u>
	Total	<u>\$ 306,250</u>

The composition of interfund transfers at September 30, 2007 is as follows reported in the government-wide financial statements:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Component Units</u></i>
Business-type Activities paid transfers to Governmental Activities	\$ 25,000	\$ (25,000)	\$ -
Business-type Activities paid transfers to Component Units	-	(4,561)	4,561
Governmental Activities paid transfers to Component Units	<u>(9,600)</u>	<u>-</u>	<u>9,600</u>
	<u>\$ 15,400</u>	<u>\$ (29,561)</u>	<u>\$ 14,161</u>

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool program for claims relating to workers' compensation.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of St. Clair is required to contribute at actuarially determined rates; the current rates ranged from 16.34-24.09 percent of eligible payroll based on the December 31, 2004 valuation. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC.

Annual Pension Costs – For year ended September 30, 2007, the City's annual pension cost of \$379,842 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30, follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual pension cost	\$ 379,842	\$ 410,013	\$ 400,158
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have been removed from the City's fiduciary fund as is no longer required to be shown in the financial statements for future years.

Post Employment Benefits

The City provides health care and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, five retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with a 20 percent contribution required by the participant. These benefits cease when the participant becomes eligible for Medicare insurance. Expenditures for post employment health care benefits are recognized as insurance premiums become due; during the year, this amounted to \$33,883. The City uses a pay-as-you-go method to pay this.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning October 1, 2009.

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for advance receivable – This reserve was created to indicate that portion of fund balance representing the long-term advance receivable from the St. Clair Regional Industrial Park.

Reserved for debt service – This reserve was created to indicate that portion of fund balance available for the retirement of debt.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Reserved for county recreation projects – This reserve was created to indicate that portion of fund balance available for county approved outdoor recreation development and projects.

Reserved for nonexpendable cemetery principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Reserved for expendable library trust – This reserve was created to indicate that portion of fund balance representing the library trust.

NOTE 11: COMPONENT UNITS REPORTING

Condensed Statement of Net Assets
September 30, 2007

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Assets:			
Cash and investments	\$ 129,327	\$ 101,431	\$ 230,758
Receivables	-	86,667	86,667
Total assets	<u>129,327</u>	<u>188,098</u>	<u>317,425</u>
Liabilities:			
Accounts payable and accrued expenses	1,696	38,900	40,596
Deferred revenue	-	83,967	83,967
Long-term liabilities:			
Due within one year	37,293	-	37,293
Due in more than one year	<u>132,307</u>	<u>-</u>	<u>132,307</u>
Total liabilities	<u>171,296</u>	<u>122,867</u>	<u>294,163</u>
Net assets:			
Unrestricted	<u>(41,969)</u>	<u>65,231</u>	<u>23,262</u>
Total net assets	<u>\$ (41,969)</u>	<u>\$ 65,231</u>	<u>\$ 23,262</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

Condensed Statement of Activities Year Ended September 30, 2007

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Revenues:			
Program revenues			
Operating grants/contributions	\$ -	\$ 52,500	\$ 52,500
General revenues			
Property taxes	-	100,668	100,668
Investment earnings	3,349	381	3,730
Miscellaneous	-	-	-
Total revenues	<u>3,349</u>	<u>153,549</u>	<u>156,898</u>
Expenses:			
Community and economic development	-	134,857	134,857
Interest on long-term debt	<u>4,125</u>	<u>-</u>	<u>4,125</u>
Total expenses	<u>4,125</u>	<u>134,857</u>	<u>138,982</u>
Excess of revenues over expenses before transfers	<u>(776)</u>	<u>18,692</u>	<u>17,916</u>
Transfers:			
Transfer from primary government	<u>14,161</u>	<u>-</u>	<u>14,161</u>
Change in net assets	<u>13,385</u>	<u>18,692</u>	<u>32,077</u>
Net assets (deficit), beginning of year	<u>(55,354)</u>	<u>46,539</u>	<u>(8,815)</u>
Net assets (deficit), end of year	<u>\$ (41,969)</u>	<u>\$ 65,231</u>	<u>\$ 23,262</u>

NOTE 12: CONTINGENCIES

Community Development Block Grant

The City received a Community Development Block Grant (loan) for \$1,000,350 over a number of years, and the full amount of the grant was received as of September 30, 2004. The grant was recorded in the St. Clair Regional Industrial Park Fund as it was received. The principal and interest must be paid back beginning November 1, 2008. The City will receive a \$10,000 credit for each new job created as a result of this project (a portion of these funds must be used for low and moderate income people). This has not been recorded as a liability of the City at this time.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2007

NOTE 13: DEFICIT FUND BALANCE

The St. Clair Regional Industrial Park Capital Projects Fund has a deficit fund balance of \$284,593. The deficit results from expenditures incurred for the industrial park project. It is expected that revenue from the sale of lots will provide a positive fund balance in the future.

NOTE 14: OPERATING LEASE

The City of St. Clair entered into a lease agreement to lease 20 golf carts. The annual required payments for the operating lease are as follows:

Year Ended
September 30,

2008	\$	10,536
2009		<u>16,756</u>
	\$	<u>27,292</u>

NOTE 15: PRIOR PERIOD ADJUSTMENT

Correction of an Error:

In the current year, it was discovered that the property tax administration fees were understated in the prior year.

Correction of this error affects beginning net assets and beginning fund balance as follows:

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>General</u></i> <i><u>Fund</u></i>
Net assets/Fund balance at September 30, 2006 as previously stated	\$ 10,535,245	\$ 1,356,400
Record understatement of property tax administration fees	<u>43,741</u>	<u>43,741</u>
Net assets/Fund balance at September 30, 2006, as restated	<u>\$ 10,578,986</u>	<u>\$ 1,400,141</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ST. CLAIR

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended September 30, 2007

<i><u>Actuarial Valuation Date</u></i>	<i><u>12/31/06</u></i>	<i><u>12/31/05</u></i>	<i><u>12/31/04</u></i>
Actuarial Value of Assets	\$ 9,994,722	\$ 9,218,019	\$ 8,541,302
Actuarial Accrued Liability (AAL)	13,531,869	12,465,408	11,838,018
Unfunded AAL (UAAL)	3,537,147	3,247,389	3,296,716
Funded Ratio	74%	74%	72%
Covered Payroll	2,185,121	2,347,781	2,349,835
UAAL as a percentage of covered payroll	162%	138%	140%

CITY OF ST. CLAIR

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 2,760,941	\$ 2,760,941	\$ 2,652,308	\$ (108,633)
Licenses and permits	92,070	92,070	104,219	12,149
State grants	534,994	534,994	604,294	69,300
Charges for services	139,042	139,042	123,498	(15,544)
Fines and forfeits	10,325	10,325	21,812	11,487
Interest and rents	89,410	89,410	320,337	230,927
Other revenue	85,700	85,700	170,905	85,205
Total revenues	<u>3,712,482</u>	<u>3,712,482</u>	<u>3,997,373</u>	<u>284,891</u>
Expenditures:				
Current				
General government	1,064,246	1,036,921	873,402	(163,519)
Public safety	1,165,915	1,165,915	1,108,781	(57,134)
Public works	258,698	258,698	222,000	(36,698)
Health and welfare	26,464	29,956	32,308	2,352
Community and economic development	30,873	30,873	19,464	(11,409)
Recreation and culture	245,705	245,705	219,498	(26,207)
Other	394,384	390,892	390,307	(585)
Capital outlay	<u>114,000</u>	<u>141,325</u>	<u>106,594</u>	<u>(34,731)</u>
Total expenditures	<u>3,300,285</u>	<u>3,300,285</u>	<u>2,972,354</u>	<u>(327,931)</u>
Excess (deficiency) of revenues over expenditures	<u>412,197</u>	<u>412,197</u>	<u>1,025,019</u>	<u>612,822</u>
Other financing sources (uses):				
Transfers from other funds	9,600	9,600	9,600	-
Transfers to other funds	(412,197)	(412,197)	(257,489)	(154,708)
Transfers to component units	<u>(9,600)</u>	<u>(9,600)</u>	<u>(9,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>(412,197)</u>	<u>(412,197)</u>	<u>(257,489)</u>	<u>(154,708)</u>
Net change in fund balance	-	-	767,530	767,530
Fund balance, beginning of year, restated	<u>1,400,141</u>	<u>1,400,141</u>	<u>1,400,141</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,400,141</u>	<u>\$ 1,400,141</u>	<u>\$ 2,167,671</u>	<u>\$ 767,530</u>

CITY OF ST. CLAIR

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 409,444	\$ 409,444	\$ 182,840	\$ (226,604)
State grants	636,500	636,500	261,446	(375,054)
Interest and rents	35,500	35,500	124,030	88,530
Total revenues	1,081,444	1,081,444	568,316	(513,128)
Expenditures:				
Current				
Public works	280,287	280,287	233,089	(47,198)
Capital outlay	1,550,351	1,550,351	944,520	(605,831)
Debt service				
Principal	29,696	29,696	29,696	-
Interest and fees	218,610	218,610	60,479	(158,131)
Total expenditures	2,078,944	2,078,944	1,267,784	(811,160)
Net change in fund balance	(997,500)	(997,500)	(699,468)	298,032
Fund balance, beginning of year	1,631,336	1,631,336	1,631,336	-
Fund balance, end of year	\$ 633,836	\$ 633,836	\$ 931,868	\$ 298,032

OTHER SUPPLEMENTAL INFORMATION

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended September 30, 2007

Revenues:

Current Taxes:

Property taxes	\$ 2,515,357
Penalties and interest on taxes	29,122
Administration fees	107,829
	<u>2,652,308</u>

Licenses and permits:

Business licenses and permits	2,665
Nonbusiness licenses and permits	5,716
CATV franchise fees	95,838
	<u>104,219</u>

State Grants:

Liquor license fees	4,114
State revenue sharing - sales tax	497,979
Other	100,000
Police	2,201
	<u>604,294</u>

Charges for services:

Cemetery fees	18,236
Copies	61
Police services and reports	443
Other	14,716
Charges to other funds	90,042
	<u>123,498</u>

Fines and forfeits:

Court fines	14,427
Ordinance fines	1,200
Other	6,185
	<u>21,812</u>

Interest and rents:

Interest	305,992
Rents	14,345
	<u>320,337</u>

Other Revenue:

Sale of fixed assets	19,565
Cemetery lots/perpetual care	13,530
Contributions and donations	125,134
Reimbursements	1,129
Refunds and rebates	9,470
Other	2,077
	<u>170,905</u>

Total revenues	<u>3,997,373</u>
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Other Financing Sources:

Transfers from other funds	<u>9,600</u>
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Total revenues and other financing sources	<u>\$ 4,006,973</u>
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CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended September 30, 2007

Expenditures:

General Government:

Council:

Personnel	\$ 4,400
Fringe benefits	382
Contracted services	19,567
Dues and memberships	26,496
Education and training	67
Other	68
	<u>50,980</u>

Superintendent:

Personnel	134,293
Fringe benefits	10,522
Mileage	2,500
Dues and memberships	851
Education and training	2,138
Other	34
	<u>150,338</u>

Accounting:

Personnel	45,633
Fringe benefits	3,417
Supplies	460
Contracted services	21,622
Mileage	17
Dues and memberships	140
Education and training	140
	<u>71,429</u>

Clerk:

Personnel	118,167
Mileage	285
Dues and memberships	307
Education and training	1,349
	<u>120,108</u>

Audit:

Contracted services	<u>5,810</u>
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Board of Review:

Personnel	2,280
Fringe benefits	174
Printing and publications	407
Other	23
	<u>2,884</u>

General Administration:

Personnel	34,397
Fringe benefits	3,450
	<u>37,847</u>

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2007

Expenditures, continued:

General Government, continued:

Treasurer:

Personnel	54,986
Fringe benefits	4,196
Supplies	8,389
Mileage	565
Dues and memberships	530
Education and training	1,870
Other	289
	<hr/>
	70,825

Assessor:

Personnel	40,314
Fringe benefits	3,083
Supplies	584
Contracted services	2,565
Mileage	590
Dues and memberships	377
Education and training	263
	<hr/>
	47,776

Elections:

Personnel	540
Fringe benefits	109
Supplies	2,226
Contracted services	2,497
Printing and publications	549
	<hr/>
	5,921

Building and Grounds:

Supplies	34,270
Contracted services	42,214
Telephone	27,797
Printing and publications	6,931
Utilities	30,626
Repairs and maintenance	4,722
Other	24,431
	<hr/>
	170,991

Attorney:

Contracted services	<hr/>
	54,566

Cemetery:

Personnel	38,358
Fringe benefits	2,505
Supplies	652
Contracted services	11,279
Utilities	1,309
Repairs and maintenance	3,312
Equipment rental	10,058
	<hr/>
	67,473

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2007

Expenditures, continued:

General Government, continued:

Beautification:

Personnel	3,921
Fringe benefits	302
Supplies	40
Contracted services	1,350
Printing and publications	119
Repairs and maintenance	537
Other	1,511
	<u>7,780</u>

Other:

Supplies	<u>8,674</u>
Total general government	<u>873,402</u>

Public Safety:

Police:

Personnel	697,515
Fringe benefits	73,216
Supplies	28,765
Contracted services	37,071
Telephone	1,794
Mileage	447
Dues and memberships	380
Education and training	7,344
Printing and publications	80
Repairs and maintenance	7,903
Other	3,911
	<u>858,426</u>

Special Police:

Supplies	1,190
Contracted services	655
Utilities	1,467
	<u>3,312</u>

Fire:

Contracted services	<u>247,043</u>
Total public safety	<u>1,108,781</u>

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2007

Expenditures, continued:

Public Works:

Department of Public Works:

Personnel	61,982
Fringe benefits	12,883
Supplies	33,280
Contracted services	5,300
Telephone	211
Dues and memberships	200
Education and training	740
Utilities	1,211
Repairs and maintenance	7,860
Equipment rental	1,891
	<hr/>
	125,558

Street Lighting:

Utilities	<hr/>
	96,442

Total public works	<hr/>
	222,000

Health and Welfare:

Senior Citizens:

Personnel	20,887
Fringe benefits	7,626
Supplies	1,597
Contracted services	1,000
Telephone	451
Repairs and maintenance	747
	<hr/>
	32,308

Community and Economic Development:

Planning:

Personnel	13,033
Fringe benefits	1,004
Contracted services	5,052
Dues and memberships	40
Education and training	47
Printing and publications	288
	<hr/>
	19,464

Recreation and Culture:

Parks and Recreation Department:

Personnel	82,965
Fringe benefits	6,647
Supplies	283
Contracted services	9,147
Utilities	5,641
Repairs and maintenance	24,765
Equipment rental	38,997
	<hr/>
	168,445

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2007

Expenditures, continued:

Library:

Personnel	1,032
Fringe benefits	78
Supplies	903
Contracted services	5,377
Utilities	4,671
Repairs and maintenance	5,629
Equipment rental	227
	<u>17,917</u>

Community Center:

Supplies	99
Contracted services	8,688
Utilities	7,249
Repairs and maintenance	6,570
Other	10,530
	<u>33,136</u>
Total recreation and culture	<u>219,498</u>

Other:

Insurance and bonds	87,732
Fringe benefits	292,492
Workers' compensation insurance	2,291
Tax tribunals	7,792
	<u>390,307</u>

Capital Outlay:

General government	17,968
Public safety	10,242
Recreation and culture	78,384
	<u>106,594</u>
Total expenditures	<u>2,972,354</u>

Other Financing Uses:

Transfers to other funds	257,489
Transfers to component units	9,600
	<u>267,089</u>
Total other financing uses	<u>267,089</u>
Total expenditures and other financing uses	<u>\$ 3,239,443</u>

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2007

	<i>Special Revenue Funds</i>				
	<i>Local Street Fund</i>	<i>Trunkline Maintenance Fund</i>	<i>Recreation Fund</i>	<i>1994 Special Assessment Fund</i>	<i>Building Department Fund</i>
Assets:					
Cash and investments	\$ 28,254	\$ 43,820	\$ 152,311	\$ 4,950	\$ 34,821
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	236	-	6,618
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Due from other governmental units	17,643	23,325	-	-	-
Total assets	<u>\$ 45,897</u>	<u>\$ 67,145</u>	<u>\$ 152,547</u>	<u>\$ 4,950</u>	<u>\$ 42,088</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 5,405	\$ -	\$ 645	\$ 16	\$ 945
Accrued expenses	667	13,599	2,799	-	13,895
Due to other funds	-	35,297	-	-	-
Deposits payable	-	-	-	353	27,248
Advance payable to other funds	-	-	-	-	-
Deferred revenue	899	-	4,903	230	-
Total liabilities	<u>6,971</u>	<u>48,896</u>	<u>8,347</u>	<u>599</u>	<u>42,088</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Expendable library trust	-	-	-	-	-
Unreserved:					
Special revenue funds	38,926	18,249	144,200	4,351	-
Capital projects fund	-	-	-	-	-
Total fund balances	<u>38,926</u>	<u>18,249</u>	<u>144,200</u>	<u>4,351</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 45,897</u>	<u>\$ 67,145</u>	<u>\$ 152,547</u>	<u>\$ 4,950</u>	<u>\$ 42,088</u>

<i>Special Revenue Funds</i>			<i>Debt Service Funds</i>				<i>Subtotal Nonmajor Governmental Funds</i>
<i>Urban Development Action Grant Fund</i>	<i>Cable Programming Fund</i>	<i>Reserved Pension Tax Levy Fund</i>	<i>1999 Building Authority Bond Fund</i>	<i>1994 Road Construction Bond Fund</i>	<i>1997 Road Construction Bond Fund</i>	<i>2004 Building Authority Bond Fund</i>	
\$ 59,403	\$ (750)	\$ 233,868	\$ 1,436	\$ 13,543	\$ 33,959	\$ 381	\$ 605,996
-	-	150,007	-	-	-	-	150,007
-	750	-	-	-	-	-	7,604
-	-	-	-	-	4,156	-	4,156
1,000	-	-	-	-	-	-	1,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	40,968
<u>\$ 60,403</u>	<u>\$ 819</u>	<u>\$ 383,875</u>	<u>\$ 1,436</u>	<u>\$ 13,543</u>	<u>\$ 38,115</u>	<u>\$ 381</u>	<u>\$ 811,199</u>
\$ -	\$ 819	\$ 30,314	\$ -	\$ -	\$ -	\$ -	\$ 38,144
-	-	-	-	-	-	-	30,960
-	-	-	-	-	-	-	35,297
-	-	-	-	-	-	-	27,601
-	-	-	-	-	-	-	-
-	-	240,644	-	-	4,156	-	250,832
-	819	270,958	-	-	4,156	-	382,834
-	-	-	1,436	13,543	33,959	381	49,319
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
60,403	-	112,917	-	-	-	-	379,046
-	-	-	-	-	-	-	-
<u>60,403</u>	<u>-</u>	<u>112,917</u>	<u>1,436</u>	<u>13,543</u>	<u>33,959</u>	<u>381</u>	<u>428,365</u>
<u>\$ 60,403</u>	<u>\$ 819</u>	<u>\$ 383,875</u>	<u>\$ 1,436</u>	<u>\$ 13,543</u>	<u>\$ 38,115</u>	<u>\$ 381</u>	<u>\$ 811,199</u>

continued

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET, CONTINUED

September 30, 2007

	<i>Debt Service Fund</i>	<i>Capital Projects Fund</i>	<i>Permanent Funds</i>		
	<i>2005 Road Construction Bond Fund</i>	<i>St. Clair Regional Industrial Park Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Library Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Assets:					
Cash and investments	\$ 360,350	\$ 178,630	\$ 233,674	\$ 45,521	\$ 1,424,171
Taxes receivable	213,455	-	-	-	363,462
Accounts receivable	-	-	-	-	7,604
Special assessments receivable	-	-	-	-	4,156
Notes receivable	-	-	-	-	1,000
Accrued interest receivable	-	-	2,428	-	2,428
Due from other governmental units	-	-	-	-	40,968
Total assets	<u>\$ 573,805</u>	<u>\$ 178,630</u>	<u>\$ 236,102</u>	<u>\$ 45,521</u>	<u>\$ 1,845,257</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 38,144
Accrued expenses	-	-	-	-	30,960
Due to other funds	-	-	6,600	-	41,897
Deposits payable	-	585	-	-	28,186
Advance payable to other funds	-	462,638	-	-	462,638
Deferred revenue	<u>342,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,260</u>
Total liabilities	<u>342,428</u>	<u>463,223</u>	<u>6,600</u>	<u>-</u>	<u>1,195,085</u>
Fund balances:					
Reserved for:					
Debt service	231,377	-	-	-	280,696
Nonexpendable cemetery principal	-	-	229,502	-	229,502
Expendable library trust	-	-	-	45,521	45,521
Unreserved:					
Special revenue funds	-	-	-	-	379,046
Capital projects fund	<u>-</u>	<u>(284,593)</u>	<u>-</u>	<u>-</u>	<u>(284,593)</u>
Total fund balances	<u>231,377</u>	<u>(284,593)</u>	<u>229,502</u>	<u>45,521</u>	<u>650,172</u>
Total liabilities and fund balances	<u>\$ 573,805</u>	<u>\$ 178,630</u>	<u>\$ 236,102</u>	<u>\$ 45,521</u>	<u>\$ 1,845,257</u>

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2007

	<i>Special Revenue Funds</i>					
	<i>Local</i>	<i>Trunkline</i>		<i>1994</i>	<i>Building</i>	
	<i>Street</i>	<i>Maintenance</i>	<i>Recreation</i>	<i>Special</i>	<i>Department</i>	<i>UDAG</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Assessment</i>	<i>Fund</i>	<i>Fund</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
Revenues:						
Property taxes	\$ 176,197	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	62,987	-
State grants	105,058	67,570	-	-	-	-
Contributions from other units	-	-	24,171	-	-	-
Charges for services	-	-	139,473	-	1,236	-
Interest and rents	876	296	3,315	44	619	523
Other revenue	-	-	18,051	-	182	-
Total revenues	<u>282,131</u>	<u>67,866</u>	<u>185,010</u>	<u>44</u>	<u>65,024</u>	<u>523</u>
Expenditures:						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	107,372	-
Public works	239,411	58,299	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	269,216	-	-	-
Capital outlay	39,672	-	2,825	-	-	-
Debt service						
Principal	5,304	-	-	-	-	-
Interest and fees	379	-	-	-	-	-
Total expenditures	<u>284,766</u>	<u>58,299</u>	<u>272,041</u>	<u>-</u>	<u>107,372</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(2,635)</u>	<u>9,567</u>	<u>(87,031)</u>	<u>44</u>	<u>(42,348)</u>	<u>523</u>
Other financing sources (uses):						
Transfers from other funds	-	-	88,929	-	23,615	-
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>88,929</u>	<u>-</u>	<u>23,615</u>	<u>-</u>
Net change in fund balance	<u>(2,635)</u>	<u>9,567</u>	<u>1,898</u>	<u>44</u>	<u>(18,733)</u>	<u>523</u>
Fund balances (deficit), beginning of year	<u>41,561</u>	<u>8,682</u>	<u>142,302</u>	<u>4,307</u>	<u>18,733</u>	<u>59,880</u>
Fund balances (deficit), end of year	<u>\$ 38,926</u>	<u>\$ 18,249</u>	<u>\$ 144,200</u>	<u>\$ 4,351</u>	<u>\$ -</u>	<u>\$ 60,403</u>

<i>Special Revenue Funds</i>		<i>Debt Service Funds</i>				
<i>Cable Programming Fund</i>	<i>Reserved Pension Tax Levy Fund</i>	<i>1999 Building Authority Bond Fund</i>	<i>1994 Road Construction Bond Fund</i>	<i>1997 Road Construction Bond Fund</i>	<i>2004 Building Authority Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ -	\$ 225,229	\$ -	\$ -	\$ -	\$ -	\$ 401,426
72,821	-	-	-	-	-	135,808
-	-	-	-	-	-	172,628
-	-	-	-	-	-	24,171
1,456	-	-	-	-	-	142,165
-	3,079	11	1	468	3	9,235
2,500	-	-	-	8,661	-	29,394
<u>76,777</u>	<u>228,308</u>	<u>11</u>	<u>1</u>	<u>9,129</u>	<u>3</u>	<u>914,827</u>
-	77,319	-	-	-	-	77,319
-	105,537	-	-	-	-	212,909
-	188,147	-	-	-	-	485,857
-	-	-	-	-	-	-
74,626	8,839	-	-	-	-	352,681
22,274	-	-	-	-	-	64,771
-	-	60,000	-	30,000	53,670	148,974
-	-	28,649	-	2,943	6,612	38,583
<u>96,900</u>	<u>379,842</u>	<u>88,649</u>	<u>-</u>	<u>32,943</u>	<u>60,282</u>	<u>1,381,094</u>
<u>(20,123)</u>	<u>(151,534)</u>	<u>(88,638)</u>	<u>1</u>	<u>(23,814)</u>	<u>(60,279)</u>	<u>(466,267)</u>
21,014	-	88,649	-	-	60,282	282,489
-	-	-	-	-	-	-
<u>21,014</u>	<u>-</u>	<u>88,649</u>	<u>-</u>	<u>-</u>	<u>60,282</u>	<u>282,489</u>
891	(151,534)	11	1	(23,814)	3	(183,778)
<u>(891)</u>	<u>264,451</u>	<u>1,425</u>	<u>13,542</u>	<u>57,773</u>	<u>378</u>	<u>612,143</u>
<u>\$ -</u>	<u>\$ 112,917</u>	<u>\$ 1,436</u>	<u>\$ 13,543</u>	<u>\$ 33,959</u>	<u>\$ 381</u>	<u>\$ 428,365</u>

continued

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended September 30, 2007

	<i>Debt Service Fund</i>	<i>Capital Projects Fund</i>	<i>Permanent Funds</i>		
	<i>2005 Road Construction Bond Fund</i>	<i>St. Clair Regional Industrial Park Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Library Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues:					
Property taxes	\$ 388,709	\$ -	\$ -	\$ -	\$ 790,135
Licenses and permits	-	-	-	-	135,808
State grants	-	-	-	-	172,628
Contributions from other units	-	-	-	-	24,171
Charges for services	-	-	-	-	142,165
Interest and rents	1,013	5,685	14,389	342	30,664
Other revenue	-	-	900	4,654	34,948
Total revenues	<u>389,722</u>	<u>5,685</u>	<u>15,289</u>	<u>4,996</u>	<u>1,330,519</u>
Expenditures:					
Current					
General government	-	-	-	-	77,319
Public safety	-	-	-	-	212,909
Public works	-	-	-	-	485,857
Community and economic development	-	28,572	-	-	28,572
Recreation and culture	-	-	-	5,138	357,819
Capital outlay	-	-	-	-	64,771
Debt service					
Principal	-	-	-	-	148,974
Interest and fees	158,345	-	-	-	196,928
Total expenditures	<u>158,345</u>	<u>28,572</u>	<u>-</u>	<u>5,138</u>	<u>1,573,149</u>
Excess (deficiency) of revenues over expenditures	<u>231,377</u>	<u>(22,887)</u>	<u>15,289</u>	<u>(142)</u>	<u>(242,630)</u>
Other financing sources (uses):					
Transfers from other funds	-	-	-	-	282,489
Transfers to other funds	-	-	(9,600)	-	(9,600)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(9,600)</u>	<u>-</u>	<u>272,889</u>
Net change in fund balance	231,377	(22,887)	5,689	(142)	30,259
Fund balances (deficit), beginning of year	<u>-</u>	<u>(261,706)</u>	<u>223,813</u>	<u>45,663</u>	<u>619,913</u>
Fund balances (deficit), end of year	<u>\$ 231,377</u>	<u>\$ (284,593)</u>	<u>\$ 229,502</u>	<u>\$ 45,521</u>	<u>\$ 650,172</u>

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and investments	\$ (4,413)	\$ 58,630	\$ 54,217
Accounts receivable	-	46,281	46,281
Total current assets	(4,413)	104,911	100,498
<i>Noncurrent assets:</i>			
Restricted cash and investments	61,992	-	61,992
Capital assets:			
Nondepreciable capital assets	272,712	-	272,712
Depreciable capital assets, net	543,729	-	543,729
Deferred financing costs	21,178	-	21,178
Total noncurrent assets	899,611	-	899,611
Total assets	895,198	104,911	1,000,109
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	4,174	-	4,174
Accrued expenses	31,346	-	31,346
Accrued interest payable	2,831	-	2,831
Deferred revenue	702	-	702
Current portion of long-term debt	62,257	-	62,257
Total current liabilities	101,310	-	101,310
<i>Noncurrent liabilities:</i>			
Compensated absences payable	12,325	-	12,325
Long-term debt	220,943	-	220,943
Total noncurrent liabilities	233,268	-	233,268
Total liabilities	334,578	-	334,578
Net assets:			
Invested in capital assets, net of related debt	533,241	-	533,241
Restricted for:			
Debt service	61,992	-	61,992
Unrestricted	(34,613)	104,911	70,298
Total net assets	\$ 560,620	\$ 104,911	\$ 665,531

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

September 30, 2007

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Operating revenues:			
Charges for services	\$ 247,751	\$ 229,569	\$ 477,320
Penalties	-	4,655	4,655
Other	519	-	519
Total operating revenues	248,270	234,224	482,494
Operating expenses:			
Personnel	110,783	-	110,783
Fringe benefits	46,302	-	46,302
Supplies	30,205	597	30,802
Contracted services	10,163	223,306	233,469
Administrative expense	9,000	-	9,000
Telephone	1,224	-	1,224
Dues and membership fees	290	-	290
Education and training	524	-	524
Printing and publishing	2,524	-	2,524
Insurance	1,234	-	1,234
Utilities	13,621	-	13,621
Repair and maintenance	15,785	-	15,785
Equipment rental	10,951	-	10,951
Depreciation	60,332	-	60,332
Total operating expenses	312,938	223,903	536,841
Operating income (loss)	(64,668)	10,321	(54,347)
Non-operating revenues (expenses):			
Interest income	3,821	435	4,256
Rental income	13,956	-	13,956
Amortization expense	(5,294)	-	(5,294)
Interest expense	(6,879)	-	(6,879)
Total non-operating revenues (expenses)	5,604	435	6,039
Net income (loss)	(59,064)	10,756	(48,308)
Net assets, beginning of year	619,684	94,155	713,839
Net assets, end of year	\$ 560,620	\$ 104,911	\$ 665,531

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

September 30, 2007

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Cash flows from operating activities:			
Cash received from customers	\$ 248,483	\$ 228,841	\$ 477,324
Cash payments to employees	(107,576)	-	(107,576)
Cash payments to suppliers for goods and services	(141,379)	(223,903)	(365,282)
Net cash provided (used) by operating activities	(472)	4,938	4,466
Cash flows from capital and related financing activities:			
Principal payments	(60,249)	-	(60,249)
Interest paid	(6,879)	-	(6,879)
Net cash provided by capital and related financing activities	(67,128)	-	(67,128)
Cash flows from investing activities:			
Interest received	3,821	435	4,256
Rent received	13,956	-	13,956
Net cash provided by investing activities	17,777	435	18,212
Net increase (decrease) in cash and investments	(49,823)	5,373	(44,450)
Cash and investments, beginning of year	107,402	53,257	160,659
Cash and investments, end of year	\$ 57,579	\$ 58,630	\$ 116,209
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (64,668)	\$ 10,321	\$ (54,347)
Adjustments:			
Depreciation	60,332	-	60,332
Change in assets and liabilities:			
Accounts receivable	-	(5,383)	(5,383)
Accounts payable	3,919	-	3,919
Accrued expenses	(2,972)	-	(2,972)
Accrued interest payable	(503)	-	(503)
Deferred revenue	213	-	213
Compensated absences payable	3,207	-	3,207
Net cash provided (used) by operating activities	\$ (472)	\$ 4,938	\$ 4,466

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and investments	\$ 730,911	\$ 341,722	\$ 1,072,633
Accounts receivable	-	-	-
Special assessments receivable	-	9,216	9,216
Total current assets	<u>730,911</u>	<u>350,938</u>	<u>1,081,849</u>
<i>Noncurrent assets:</i>			
Capital assets:			
Depreciable capital assets, net	<u>388,668</u>	<u>-</u>	<u>388,668</u>
Total noncurrent assets	<u>388,668</u>	<u>-</u>	<u>388,668</u>
Total assets	<u>1,119,579</u>	<u>350,938</u>	<u>1,470,517</u>
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	1,344	-	1,344
Accrued expenses	<u>963</u>	<u>-</u>	<u>963</u>
Total current liabilities	<u>2,307</u>	<u>-</u>	<u>2,307</u>
<i>Noncurrent liabilities:</i>			
Compensated absences payable	<u>14,763</u>	<u>-</u>	<u>14,763</u>
Total noncurrent liabilities	<u>14,763</u>	<u>-</u>	<u>14,763</u>
Total liabilities	<u>17,070</u>	<u>-</u>	<u>17,070</u>
Net assets:			
Invested in capital assets, net of related debt	388,668	-	388,668
Unrestricted	<u>713,841</u>	<u>350,938</u>	<u>1,064,779</u>
Total net assets	<u>\$ 1,102,509</u>	<u>\$ 350,938</u>	<u>\$ 1,453,447</u>

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended September 30, 2007

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Operating revenues:			
Equipment rental	\$ 257,961	\$ -	\$ 257,961
Total operating revenues	<u>257,961</u>	<u>-</u>	<u>257,961</u>
Operating expenses:			
Personnel	50,746	-	50,746
Fringe benefits	22,530	-	22,530
Supplies	992	-	992
Contracted services	350	332	682
Utilities	11,975	-	11,975
Repairs and maintenance	30,336	-	30,336
Other services and supplies	4,273	-	4,273
Depreciation	<u>74,527</u>	<u>-</u>	<u>74,527</u>
Total operating expenses	<u>195,729</u>	<u>332</u>	<u>196,061</u>
Operating income (loss)	<u>62,232</u>	<u>(332)</u>	<u>61,900</u>
Non-operating revenues (expenses):			
Interest income	5,066	3,392	8,458
Gain on sale of capital assets	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total non-operating revenues (expenses)	<u>7,566</u>	<u>3,392</u>	<u>10,958</u>
Net income (loss)	69,798	3,060	72,858
Net assets, beginning of year	<u>1,032,711</u>	<u>347,878</u>	<u>1,380,589</u>
Net assets, end of year	<u>\$ 1,102,509</u>	<u>\$ 350,938</u>	<u>\$ 1,453,447</u>

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 3,322	\$ 3,322
Cash received from interfund services	257,961	-	257,961
Cash payments to employees	(50,159)	-	(50,159)
Cash payments to suppliers for goods and services	(69,126)	(332)	(69,458)
Net cash provided (used) by operating activities	138,676	2,990	141,666
Cash flows from capital and related financing activities:			
Gain on sale of capital assets	2,500	-	2,500
Acquisition and construction of capital assets	(33,743)	-	(33,743)
Net cash provided by capital and related financing activities	(31,243)	-	(31,243)
Cash flows from investing activities:			
Interest received	5,066	3,392	8,458
Net cash provided by investing activities	5,066	3,392	8,458
Net increase (decrease) in cash and investments	112,499	6,382	118,881
Cash and investments, beginning of year	618,412	335,340	953,752
Cash and investments, end of year	\$ 730,911	\$ 341,722	\$ 1,072,633
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 62,232	\$ (332)	\$ 61,900
Adjustments:			
Depreciation	74,527	-	74,527
Change in assets and liabilities:			
Accounts receivable	-	183	183
Special assessments receivable	-	3,139	3,139
Accounts payable	1,302	-	1,302
Accrued expenses	28	-	28
Compensated absences payable	587	-	587
Net cash provided (used) by operating activities	\$ 138,676	\$ 2,990	\$ 141,666

CITY OF ST. CLAIR

COMPONENT UNITS
COMBINING BALANCE SHEET
Year Ended September 30, 2007

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Assets:			
Cash and investments	\$ 129,327	\$ 101,431	\$ 230,758
Taxes receivable	-	83,967	83,967
Accounts receivable	-	2,700	2,700
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 129,327</u>	<u>\$ 188,098</u>	<u>\$ 317,425</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 38,900	\$ 38,900
Deferred revenue	-	83,967	83,967
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>122,867</u>	<u>122,867</u>
Fund balances:			
Unreserved	<u>129,327</u>	<u>65,231</u>	<u>194,558</u>
Total fund balances	<u>129,327</u>	<u>65,231</u>	<u>194,558</u>
Total liabilities and fund balances	<u>\$ 129,327</u>	<u>\$ 188,098</u>	<u>\$ 317,425</u>

RECONCILIATION OF FUND BALANCES TO NET ASSETS:

Total fund balances for component units	\$ 194,558
Total net assets reported for component units in the statement of of net assets is different because:	
Interest payable on long-term debt is not payable from current resources and therefore is not reported in the component units fund statements.	(1,696)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the component units fund statements:	<u>(169,600)</u>
Net assets of component units	<u>\$ 23,262</u>

CITY OF ST. CLAIR

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

September 30, 2007

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Revenues:			
Property taxes	\$ -	\$ 100,668	\$ 100,668
Interest and rents	3,349	381	3,730
Other revenue	-	52,500	52,500
Total revenues	<u>3,349</u>	<u>153,549</u>	<u>156,898</u>
Expenditures:			
Current			
Community and economic development	-	134,857	134,857
Debt service			
Principal	36,081	-	36,081
Interest and fees	<u>4,426</u>	<u>-</u>	<u>4,426</u>
Total expenditures	<u>40,507</u>	<u>134,857</u>	<u>175,364</u>
Excess (deficiency) of revenues over expenditures	<u>(37,158)</u>	<u>18,692</u>	<u>(18,466)</u>
Other financing sources (uses):			
Transfers from primary government	<u>14,161</u>	<u>-</u>	<u>14,161</u>
Total other financing sources (uses)	<u>14,161</u>	<u>-</u>	<u>14,161</u>
Net change in fund balances	(22,997)	18,692	(4,305)
Fund balances, beginning of year	<u>152,324</u>	<u>46,539</u>	<u>198,863</u>
Fund balances, end of year	<u>\$ 129,327</u>	<u>\$ 65,231</u>	<u>\$ 194,558</u>

RECONCILIATION OF CHANGES IN FUND BALANCES

TO CHANGES IN NET ASSETS:

Net change in fund balances - total component units \$ (4,305)

Total change in net assets reported for component units in the statement of activities is different because:

Repayments of principal on long-term obligations are expenditures in component units but the payments reduce long-term liabilities in the statement of net assets. 36,081

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in component units statements.

Change in accrued interest 301

Change in net assets of component units \$ 32,077

CITY OF ST. CLAIR

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

September 30, 2007

	<i><u>October 1, 2006</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>September 30, 2007</u></i>
<i><u>Tax Collection Fund</u></i>				
Assets:				
Cash and investments	\$ 3,369,177	\$ 13,932,640	\$ 12,749,158	\$ 4,552,659
Accounts receivable	<u>893</u>	<u>1,696</u>	<u>2,589</u>	<u>-</u>
Total assets	<u>\$ 3,370,070</u>	<u>\$ 13,934,336</u>	<u>\$ 12,751,747</u>	<u>\$ 4,552,659</u>
Liabilities:				
Accounts payable	\$ 33,037	\$ 119,971	\$ 131,223	\$ 21,785
Undistributed tax collections	<u>3,337,033</u>	<u>13,814,365</u>	<u>12,620,524</u>	<u>4,530,874</u>
Total liabilities	<u>\$ 3,370,070</u>	<u>\$ 13,934,336</u>	<u>\$ 12,751,747</u>	<u>\$ 4,552,659</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

1989 REFUNDING WATER REVENUE BONDS

Issue dated March 23, 1989 in the amount of	\$	560,000
Less:		
Principal paid in prior years		(370,000)
Principal paid in current year		<u>(40,000)</u>
Balance payable at September 30, 2007	\$	<u>150,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2008	7.50%	\$ 45,000	\$ 5,625	\$ 3,938	\$ 54,563
2009	7.50%	50,000	3,938	2,062	56,000
2010	7.50%	<u>55,000</u>	<u>2,062</u>	<u>-</u>	<u>57,062</u>
		<u>\$ 150,000</u>	<u>\$ 11,625</u>	<u>\$ 6,000</u>	<u>\$ 167,625</u>

1998 SEWER SYSTEM REVENUE REFUNDING BONDS

Issue dated 1998 in the amount of	\$	995,000
Less:		
Principal paid in prior years		(465,000)
Principal paid in current year		<u>(100,000)</u>
Balance payable at September 30, 2007	\$	<u>430,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Principal due May 1</i>	<i>Total Annual Requirement</i>
2008	4.50%	\$ 10,038	\$ 10,037	\$ 100,000	\$ 120,075
2009	4.60%	7,763	7,762	100,000	115,525
2010	4.65%	5,463	5,462	115,000	125,925
2011	4.75%	<u>2,760</u>	<u>2,760</u>	<u>115,000</u>	<u>120,520</u>
		<u>\$ 26,024</u>	<u>\$ 26,021</u>	<u>\$ 430,000</u>	<u>\$ 482,045</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
September 30, 2007

2001 SPECIAL ASSESSMENT LIMITED TAX BONDS

Issue dated August 1, 2001 in the amount of	\$ 150,000
Less: Principal paid in prior years	(65,000)
Principal paid in current year	<u>(15,000)</u>
Balance payable at September 30, 2007	<u>\$ 70,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Principal due</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	4.75%	\$ -	\$ 1,712	\$ 15,000	\$ 16,712
2009	4.75%	1,356	1,356	15,000	17,712
2010	5.00%	1,000	1,000	20,000	22,000
2011	5.00%	<u>500</u>	<u>500</u>	<u>20,000</u>	<u>21,000</u>
		<u>\$ 2,856</u>	<u>\$ 4,568</u>	<u>\$ 70,000</u>	<u>\$ 77,424</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

STATE REVOLVING FUND BONDS, SERIES 2002

Issue dated October 1, 2002 in the amount of	\$	4,948,287
Less:		
Principal paid in prior years		(610,000)
Principal paid in current year		<u>(215,000)</u>
Balance payable at September 30, 2007	\$	<u><u>4,123,287</u></u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2008	2.50%	\$ -	\$ -	\$ 53,000	\$ 53,000
2009	2.50%	220,000	53,000	50,250	323,250
2010	2.50%	225,000	50,250	47,437	322,687
2011	2.50%	230,000	47,438	44,562	322,000
2012	2.50%	235,000	44,563	41,625	321,188
2013	2.50%	240,000	41,625	38,625	320,250
2014	2.50%	245,000	38,625	35,562	319,187
2015	2.50%	255,000	35,563	32,375	322,938
2016	2.50%	260,000	32,375	29,125	321,500
2017	2.50%	265,000	29,125	25,812	319,937
2018	2.50%	275,000	25,813	22,375	323,188
2019	2.50%	280,000	22,375	18,875	321,250
2020	2.50%	285,000	18,875	15,312	319,187
2021	2.50%	295,000	15,313	11,625	321,938
2022	2.50%	300,000	11,625	7,875	319,500
2023	2.50%	310,000	7,875	4,000	321,875
2023	2.50%	<u>203,287</u>	<u>4,000</u>	<u>-</u>	<u>207,287</u>
		<u>\$ 4,123,287</u>	<u>\$ 478,440</u>	<u>\$ 478,435</u>	<u>\$ 5,080,162</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A

Issue dated October 1, 2002 in the amount of	\$	410,000
Less:		
Principal paid in prior years		(30,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at September 30, 2007	\$	<u>365,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2008	3.25%	\$ -	\$ -	\$ 7,366	\$ 7,366
2009	3.25%	15,000	7,366	7,123	29,489
2010	3.50%	15,000	7,123	6,860	28,983
2011	3.50%	20,000	6,860	6,510	33,370
2012	3.55%	20,000	6,510	6,155	32,665
2013	3.60%	25,000	6,155	5,705	36,860
2014	3.65%	25,000	5,705	5,249	35,954
2015	3.80%	25,000	5,249	4,774	35,023
2016	3.90%	25,000	4,774	4,286	34,060
2017	4.00%	25,000	4,286	3,786	33,072
2018	4.15%	25,000	3,786	3,268	32,054
2019	4.30%	25,000	3,268	2,730	30,998
2020	4.40%	30,000	2,730	2,070	34,800
2021	4.50%	30,000	2,070	1,395	33,465
2022	4.60%	30,000	1,395	705	32,100
2023	4.70%	<u>30,000</u>	<u>705</u>	<u>-</u>	<u>30,705</u>
		<u>\$ 365,000</u>	<u>\$ 67,982</u>	<u>\$ 67,982</u>	<u>\$ 500,964</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

September 30, 2007

2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)

Issue dated February 10, 2004 in the amount of	\$	830,000
Less: Principal paid in prior years		(135,000)
Principal paid in current year		<u>(80,000)</u>
Balance payable at September 30, 2007	\$	<u>615,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2008	2.000%	\$ 75,000	\$ 8,436	\$ 7,686	\$ 91,122
2009	2.125%	75,000	7,686	6,889	89,575
2010	2.500%	100,000	6,889	5,639	112,528
2011	2.750%	95,000	5,639	4,332	104,971
2012	3.000%	95,000	4,332	2,907	102,239
2013	3.250%	90,000	2,907	1,445	94,352
2014	3.400%	<u>85,000</u>	<u>1,445</u>	<u>-</u>	<u>86,445</u>
		<u>\$ 615,000</u>	<u>\$ 37,334</u>	<u>\$ 28,898</u>	<u>\$ 681,232</u>

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Business-type Activities - 40.16% of \$1,160,000	\$	465,954
Less: Principal paid in prior years		(122,503)
Principal paid in current year		<u>(60,250)</u>
Balance payable at September 30, 2007	\$	<u>283,201</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2008	2.000%	\$ 62,257	\$ 3,398	\$ 2,775	\$ 68,430
2009	2.125%	70,290	2,775	2,028	75,093
2010	2.500%	72,298	2,028	1,125	75,451
2011	2.750%	40,166	1,125	572	41,863
2012	3.000%	<u>38,190</u>	<u>572</u>	<u>-</u>	<u>38,762</u>
		<u>\$ 283,201</u>	<u>\$ 9,898</u>	<u>\$ 6,500</u>	<u>\$ 299,599</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2007

Issue dated January 1, 2007 in the amount of	\$	650,000
Less:		
Principal paid in prior years		-
Principal paid in current year		<u>(20,000)</u>
Balance payable at September 30, 2007	\$	<u>630,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>October 1</i>	<i>Interest due</i> <i>October 1</i>	<i>Interest due</i> <i>April 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2008	4.000%	\$ -	\$ -	\$ 13,171	\$ 13,171
2009	4.000%	20,000	13,171	12,771	45,942
2010	4.000%	20,000	12,771	12,371	45,142
2011	4.000%	20,000	12,371	11,971	44,342
2012	4.000%	25,000	11,971	11,471	48,442
2013	4.000%	25,000	11,471	10,971	47,442
2014	4.000%	25,000	10,971	10,471	46,442
2015	4.000%	30,000	10,471	9,871	50,342
2016	4.000%	30,000	9,871	9,271	49,142
2017	4.000%	30,000	9,271	8,671	47,942
2018	4.000%	30,000	8,671	8,071	46,742
2019	4.100%	35,000	8,071	7,354	50,425
2020	4.150%	35,000	7,354	6,628	48,982
2021	4.200%	35,000	6,628	5,893	47,521
2022	4.250%	40,000	5,893	5,043	50,936
2023	4.300%	40,000	5,043	4,183	49,226
2024	4.300%	45,000	4,183	3,215	52,398
2025	4.400%	45,000	3,215	2,225	50,440
2026	4.400%	50,000	2,225	1,125	53,350
2027	4.500%	<u>50,000</u>	<u>1,125</u>	<u>-</u>	<u>51,125</u>
		<u>\$ 630,000</u>	<u>\$ 154,747</u>	<u>\$ 154,747</u>	<u>\$ 939,494</u>

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

1992 MICHIGAN TRANSPORTATION FUND (LTGO)

Issue dated August 1, 1992 in the amount of	\$	355,000
Less:		
Principal paid in prior years		(320,000)
Principal paid in current year		<u>(35,000)</u>
Balance payable at September 30, 2007	\$	<u>-</u>

Note: This obligation is paid by the Major Street Fund and the Local Street Fund.

1997 GENERAL OBLIGATION LIMITED TAX BONDS

Issue dated September 1, 1997 in the amount of	\$	100,000
Less:		
Principal paid in prior years		(80,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at September 30, 2007	\$	<u>10,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	5.10%	\$ <u>10,000</u>	\$ <u>250</u>	\$ <u>-</u>	\$ <u>10,250</u>

Note: This obligation is paid by the 1997 Road Construction Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

1999 BUILDING AUTHORITY BONDS

Issue dated June 1, 1999 in the amount of	\$	995,000
Less: Principal paid in prior years		(345,000)
Principal paid in current year		<u>(60,000)</u>
Balance payable at September 30, 2007	\$	<u>590,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	4.65%	\$ 60,000	\$ 13,627	\$ 12,231	\$ 85,858
2009	4.55%	65,000	12,232	10,753	87,985
2010	4.625%	70,000	10,754	9,134	89,888
2011	4.625%	70,000	9,135	7,515	86,650
2012	4.625%	75,000	7,516	5,781	88,297
2013	4.625%	80,000	5,782	3,931	89,713
2014	4.625%	85,000	3,931	1,966	90,897
2015	4.625%	<u>85,000</u>	<u>1,966</u>	<u>-</u>	<u>86,966</u>
		<u>\$ 590,000</u>	<u>\$ 64,943</u>	<u>\$ 51,311</u>	<u>\$ 706,254</u>

Note: This obligation is paid by the 1999 Building Authority Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Governmental Activities - 35.78% of \$1,160,000	\$	415,000
Less: Principal paid in prior years		(109,129)
Principal paid in current year		<u>(53,670)</u>
Balance payable at September 30, 2007	\$	<u>252,201</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	2.00%	\$ 55,459	\$ 3,027	\$ 2,472	\$ 60,958
2009	2.125%	62,615	2,472	1,807	66,894
2010	2.50%	64,404	1,807	1,002	67,213
2011	2.75%	35,780	1,002	510	37,292
2012	3.00%	<u>33,943</u>	<u>510</u>	<u>-</u>	<u>34,453</u>
		<u>\$ 252,201</u>	<u>\$ 8,818</u>	<u>\$ 5,791</u>	<u>\$ 266,810</u>

Note: This obligation is paid by the 2004 Building Authority Refunding Bonds Fund.

1997 SPECIAL ASSESSMENT BONDS

Issue dated September 1, 1997 in the amount of	\$	220,000
Less: Principal paid in prior years		(180,000)
Principal paid in current year		<u>(20,000)</u>
Balance payable at September 30, 2006	\$	<u>20,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	5.00%	<u>\$ 20,000</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 20,500</u>

Note: This obligation is paid by the 1997 Road Construction Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2007

GENERAL OBLIGATION UNLIMITED TAX BONDS, SERIES 2005

Issue dated June 6, 2005 in the amount of \$ 3,455,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at September 30, 2007 \$ 3,455,000

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	3.00%	\$ 225,000	\$ 58,245	\$ 54,870	\$ 338,115
2009	3.00%	250,000	54,870	51,120	355,990
2010	3.00%	275,000	51,120	46,995	373,115
2011	3.25%	300,000	46,995	42,120	389,115
2012	3.50%	325,000	42,120	36,433	403,553
2013	3.50%	355,000	36,433	30,220	421,653
2014	3.50%	385,000	30,220	23,482	438,702
2015	3.40%	415,000	23,482	16,427	454,909
2016	3.50%	445,000	16,428	8,640	470,068
2017	3.60%	480,000	8,640	-	488,640
		<u>\$ 3,455,000</u>	<u>\$ 368,553</u>	<u>\$ 310,307</u>	<u>\$ 4,133,860</u>

Note: This obligation is paid by the Major Street Fund.

CITY OF ST. CLAIR

COMPONENT UNITS

SCHEDULE OF INDEBTEDNESS

September 30, 2007

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Component Units - 24.06% of \$1,160,000	\$ 279,046
Less: Principal paid in prior years	(73,365)
Principal paid in current year	<u>(36,081)</u>
Balance payable at September 30, 2007	<u>\$ 169,600</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	2.000%	\$ 37,293	\$ 2,035	\$ 1,662	\$ 40,990
2009	2.125%	42,095	1,662	1,215	44,972
2010	2.500%	43,298	1,215	673	45,186
2011	2.750%	24,054	674	342	25,070
2012	3.000%	<u>22,860</u>	<u>343</u>	<u>-</u>	<u>23,203</u>
		<u>\$ 169,600</u>	<u>\$ 5,929</u>	<u>\$ 3,892</u>	<u>\$ 179,421</u>

Note: This obligation is paid by the Local Development Finance Authority.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of St. Clair, Michigan

We have audited the financial statements of the City of St. Clair as of and for the year ended September 30, 2007, and have issued our report thereon dated November 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of St. Clair's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follows:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Condition: As in the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

**View of
Responsible
Officials:**

The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Clair's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bertch & Co.

Saginaw, Michigan

November 21, 2007



INTERNAL CONTROL COMMUNICATIONS

To The Council
City of St. Clair

In planning and performing our audit of the financial statements of the City of St. Clair as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of St. Clair's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above. Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Condition: As in the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

**View of
Responsible
Officials:**

The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

November 21, 2007